

DIRECT TESTIMONY OF
MATTHEW J. HAMMOND
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2018-163-E

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **OCCUPATION.**

3 A. My name is Matthew J. Hammond. I am currently employed by South
4 Carolina Electric & Gas Company ("SCE&G") located at 601 Old Taylor Road,
5 Cayce, South Carolina 29033. I am the Manager, Electric Transmission Support
6 within SCE&G's Transmission Department.

7 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC SERVICE**
8 **COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

9 A. No, this is my first time testifying before the Commission.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to provide a true recounting of the facts
12 surrounding the Interconnection Agreement ("SolAmerica IA") between SCE&G
13 and SolAmerica SC, LLC and Edgefield County S1, LLC (together
14 "SolAmerica"); SolAmerica's performance under the SolAmerica IA;
15 SolAmerica's request for a second extension of the Milestones (as defined herein)
16 schedule under the SolAmerica IA; and other issues raised in SolAmerica's
17 Complaints in this matter.

18 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

1 A. In 1994, I received a Bachelor of Science degree in Engineering, with
2 honors and emphasis in Electrical Engineering, from the University of South
3 Carolina. In 2006, I earned a Masters of Business Administration from the
4 University of South Carolina. I am also certified through the state of South
5 Carolina as a Registered Professional Engineer.

6 **Q. STATE BRIEFLY YOUR EMPLOYMENT BACKGROUND PRIOR TO**
7 **YOUR CURRENT ROLE.**

8 A. In 1991, while still a student, I began working for SCE&G and SCANA
9 Corporation ("SCANA") as an Engineering Student Assistant and have been
10 working for SCE&G and SCANA ever since. I have served in various roles
11 during my time at SCE&G and SCANA. From 1996 through 2007, I worked in
12 SCE&G's Power Marketing Department in various leadership roles, including as
13 Power Marketing Manager and as the Trading Operations Manager. In these roles,
14 I primarily represented SCANA in the wholesale power market by serving as the
15 account manager to full and partial-requirements customers, managing contracts
16 with industrial customers, and completing other tasks. I negotiated numerous
17 Power Purchase Agreements ("PPA"). My tenure in the Power Marketing
18 Department required a high degree of familiarity with the Federal Energy
19 Regulatory Commission ("FERC") regulations and with SCE&G's Open Access
20 Transmission Tariff ("OATT"). In addition to working in the Power Marketing
21 Department, I spent six years working for SCE&G's Electric Operations

1 Department as a Manager of Distribution Crew Quarters. I also have served in
2 various other positions at SCE&G.

3 **Q. WHEN DID YOU BEGIN YOUR CURRENT POSITION, AND WHAT IS**
4 **YOUR CURRENT JOB FUNCTION?**

5 A. In August of 2013, I began working as the Manager, Electric Transmission
6 Support within SCE&G's Transmission Department. I have remained in this
7 position to present day. I serve as the primary customer interface for utility-scale
8 interconnection customers (projects larger than 20 kilowatts ("kW")) and all
9 wholesale users of the bulk electric system. For the Transmission Department, I
10 ensure proper administration of SCE&G's OATT and compliance with the
11 FERC's Standards of Conduct and other transmission regulations prescribed by
12 the FERC. I also serve as the administrator of SCE&G's generator
13 interconnection programs for both transmission and distribution systems. Thus, I
14 manage interconnections for SCE&G, whether they are FERC-jurisdictional (i.e.,
15 the generator intends to establish a rate on file with the FERC and comply with all
16 relevant FERC rules) or state-jurisdictional, as is the case of a qualifying facility
17 ("QF") under the federal Public Utility Regulatory Policies Act of 1978, 16 U.S.C.
18 §§ 2601, et seq. ("PURPA"). Among other things, I am also responsible for
19 recertification training for SCE&G's NERC certified System Operators,
20 transmission contract administration, and the associated customer billing.

21 In my role in the Transmission Department, I do not currently engage in the
22 purchase or sale of energy. Those functions are handled by Marketing Function

1 Employees acting separately from Transmission Function Employees. The
2 functions are segregated because of the principles set forth in the FERC's
3 Standards of Conduct.

4 **Q. PLEASE EXPLAIN FERC'S STANDARDS OF CONDUCT.**

5 A. The FERC developed its Standards of Conduct to prevent Transmission
6 Function Employees from providing affiliated Marketing Function Employees
7 undue preferences over non-affiliated customers. The FERC's Standards of
8 Conduct include three primary rules:

9 (1) the "independent functioning rule," which requires Transmission
10 Function Employees and Marketing Function Employees to operate independently
11 of each other;

12 (2) the "no-conduit rule," which prohibits passing non-public transmission
13 function information to Marketing Function Employees; and

14 (3) the "transparency rule," which imposes posting requirements to help
15 detect any instances of undue preference due to the improper disclosure of non-
16 public transmission function information.

17 **Q. CAN YOU GIVE A BASIC EXPLANATION OF HOW THE STANDARDS**
18 **OF CONDUCT IMPACT SCE&G EMPLOYEES?**

19 A. Yes. As I noted previously, I work in SCE&G's Transmission Department.
20 Employees in SCE&G's Transmission Department who engage, on a daily basis,
21 in "the planning, directing, organizing or carrying out of day-to-day transmission

1 operations, including the granting and denying of transmission service requests”
2 are considered Transmission Function Employees. 18 C.F.R. § 358.3 (2018).

3 Marketing Function Employees are those who engage, on a daily basis, in
4 “the sale for resale in interstate commerce, or the submission of offers to sell in
5 interstate commerce, of electric energy or capacity, demand response, virtual
6 transactions, or financial or physical transmission rights, all as subject to an
7 exclusion for bundled retail sales, including sales of electric energy made by
8 providers of last resort (POLRs) acting in their POLR capacity.” 18 C.F.R. § 358.3
9 (2018).

10 Because I am a Transmission Function Employee and John Edward
11 (“Eddie”) Folsom is a Marketing Function Employee, we must perform our jobs
12 independently from one another. The FERC’s Standards of Conduct focus on
13 employees’ job functions and not on corporate structure. So, it does not matter
14 that SCE&G’s Transmission Department is not a separately incorporated entity.
15 Eddie Folsom and I are both SCE&G employees, but our job functions require that
16 we be classified differently and that we abide by the FERC’s Standards of
17 Conduct.

18 **Q. HOW DOES THE INDEPENDENT FUNCTIONING RULE IMPACT THE**
19 **NEGOTIATION OF INTERCONNECTION AGREEMENTS (“IA”) AND**
20 **PPAS?**

21 A. In its simplest terms, the rule requires my team and I to process an
22 interconnection request, including working with transmission and distribution

1 engineers to determine what, if any, upgrades are required to provide that service
2 and the associated costs of those facilities, and negotiate an IA separate from
3 Marketing Function Employees, like Eddie Folsom. Likewise, Eddie Folsom must
4 separately negotiate PPAs, without the input, assistance, or coordination of my
5 department.

6 SCE&G has a robust compliance program in place to make sure these two
7 classifications of employees function independently.

8 Furthermore, an IA and a PPA are entirely separate agreements. In the
9 standard IA, Section 12.5 notes that the IA is the entire agreement between the
10 signatories and that there are no other agreements, representations, or warranties
11 that are consideration for or a condition to the obligations of the parties to the IA.
12 An IA could theoretically survive the term of multiple PPAs.

13 **Q. DO YOU AND YOUR TEAM FUNCTION INDEPENDENTLY OF EDDIE**
14 **FOLSOM AND SCE&G-POWER MARKETING THROUGHOUT THE**
15 **ENTIRE INTERCONNECTION PROCESS?**

16 A. That's correct. We do not involve any Marketing Function Employees in
17 any part of the interconnection process, including the study of the interconnection
18 request, the negotiation of an IA, queue management, and the construction of
19 interconnection facilities and system upgrades.

20 **Q. WHAT REGULATIONS GOVERN THE INTERCONNECTION PROCESS**
21 **AND AGREEMENT FOR A QF IN SOUTH CAROLINA?**

1 A. Under PURPA, the interconnection of QFs, whether they are small power
2 production facilities or qualifying cogeneration facilities, are subject to the
3 jurisdiction of the state regulatory authority. Thus, when an electric utility is
4 obligated to purchase all of a facility's total output, the relevant state authority
5 exercises authority over the interconnection process and the IA. The Commission
6 adopted the South Carolina Generator Interconnection Procedures, Forms, and
7 Agreements to govern state-jurisdictional interconnections ("South Carolina
8 Standard").

9 **Q. WHAT IS YOUR FAMILIARITY WITH THE SOUTH CAROLINA**
10 **STANDARD?**

11 A. I am very familiar with the South Carolina Standard and, as explained more
12 fully below, I was very involved with the policy discussions and drafting of the
13 South Carolina Standard.

14 By way of background, prior to 2014, the only state-approved process that
15 existed for interconnections in South Carolina was for interconnections of 100kW
16 or less. In 2014, legislation was passed unanimously by the South Carolina
17 General Assembly through the Distributed Energy Resource Program Act of 2014
18 ("Act 236"). Act 236 prompted the need for a state interconnection process to
19 address larger renewable projects. Beginning in or around the end of 2014 and the
20 beginning of 2015, South Carolina electric utilities and the South Carolina Office
21 of Regulatory Staff ("ORS") began to develop an interconnection procedure for
22 such projects. I, along with others, participated in the drafting of this process, and

1 we used approaches of other states, such as North Carolina, as a guide. Following
2 input from numerous organizations through a stakeholder process facilitated by the
3 ORS, including the South Carolina Solar Business Alliance, the proposed
4 interconnection procedure was submitted to the Commission on or about October
5 9, 2015, and ultimately approved by the Commission on or about April 26, 2016.

6 **Q. IS THE SOUTH CAROLINA STANDARD DIFFERENT FROM THE FERC**
7 **PROCESS AND THE NORTH CAROLINA PROCESS?**

8 A. Though there are many similarities, the preparers of the South Carolina
9 Standard could not wholesale adopt the FERC process for a number of reasons.
10 The preparers of the South Carolina Standard also considered the North Carolina
11 process and strove to create a process for South Carolina that would avoid the
12 serious backlog and delay problems that existed in North Carolina after North
13 Carolina modeled its state process after the FERC process. Like the FERC and
14 North Carolina, South Carolina wanted to discourage inactive or “speculative”
15 projects that would clog the queue and cause problems for serious developers and
16 utilities attempting to study impacts associated with various interconnection
17 requests, manage their queues, and manage transmission/distribution construction
18 projects required by new QFs. The South Carolina Standard addresses these
19 concerns by incorporating larger upfront deposits, modified fast-track eligibility
20 criteria, a differing definition of Material Modification of the generation project, a
21 clearer expectation that generation projects are responsible for the full cost of
22 interconnecting the project to the system, no suspension option, and a defined

1 timeline for certain post-study obligations. The South Carolina Standard is
2 available for all state-jurisdictional projects from 0 – 80 megawatts. Despite these
3 differences, which do help, SCE&G still has a large number of projects in our
4 interconnection queue, some of which will not move forward.

5 **Q. CAN YOU PROVIDE AN ESTIMATE OF THE TOTAL NUMBER OF**
6 **INTERCONNECTION REQUESTS YOU HAVE RECEIVED SINCE THE**
7 **SOUTH CAROLINA STANDARD WAS ENACTED?**

8 A. As of August 1, 2018, SCE&G has received over 200 requests to
9 interconnect solar projects. Some are pending requests in our queue, some have
10 withdrawn from our queue, and some have resulted in executed IAs. However,
11 many of these are now in service.

12 **Q. SECTION 6.2 OF SOUTH CAROLINA STANDARD PRO FORMA IA**
13 **PROVIDES, “THE PARTY AFFECTED BY THE FAILURE TO MEET A**
14 **MILESTONE SHALL NOT UNREASONABLY WITHHOLD**
15 **AGREEMENT TO SUCH AN AMENDMENT UNLESS (1) IT WILL**
16 **SUFFER SIGNIFICANT UNCOMPENSATED ECONOMIC OR**
17 **OPERATIONAL HARM FROM THE DELAY, (2) THE DELAY WILL**
18 **MATERIALLY AFFECT THE SCHEDULE OF ANOTHER**
19 **INTERCONNECTION CUSTOMER WITH SUBORDINATE QUEUE**
20 **POSITION, (3) ATTAINMENT OF THE SAME MILESTONE HAS**
21 **PREVIOUSLY BEEN DELAYED, OR (4) IT HAS REASON TO BELIEVE**
22 **THAT THE DELAY IN MEETING THE MILESTONES IS INTENTIONAL**

1 **OR UNWARRANTED NOTWITHSTANDING THE CIRCUMSTANCES**
2 **EXPLAINED BY THE PARTY PROPOSING THE AMENDMENT.” DOES**
3 **THIS PROVISION ALSO REFLECT STATE POLICY TO AVOID QUEUE**
4 **MAINTENANCE ISSUES, SUCH AS CLOGGING AND PREVENT ISSUES**
5 **THAT RESULT FROM PURELY INACTIVE OR SPECULATIVE**
6 **PROJECTS?**

7 A. Yes. The South Carolina Standard, including the pro forma IA, assumes a
8 developer has a shovel-ready project. It is not designed to accommodate a
9 developer who obtains an IA and then wants time to see if they can make a project
10 work. In addition to the portion referenced in your question, Section 6.2 also
11 demands the smallest impact on the in-service deadline by requiring SolAmerica
12 provide immediate notification of the reasons for a failure to meet a Milestone and
13 the earliest resolution date. Finally, Section 6.2 of the South Carolina Standard IA
14 is almost identical to Section 6.2 of the FERC Small Generator Interconnection
15 Agreement (“SGIA”).

16 **Q. IS IT CORRECT THAT IF ANY ONE OF THE FACTORS LISTED IN**
17 **SECTION 6.2 IS PRESENT, THEN AN EXTENSION MAY NOT BE**
18 **GRANTED?**

19 A. Yes, it just takes one. However, in the case of SolAmerica’s Davis Road
20 project, located in Edgefield County (“Davis Road Project”), all of the factors to
21 limit or deny an extension were met when SolAmerica sought to extend its
22 Milestones for a second time.

1 **Q. IS IT CORRECT THAT A PARTY SEEKING AN EXTENSION OF A**
2 **MILESTONE MUST FIRST PROVIDE YOU WITH IMMEDIATE**
3 **NOTIFICATION AND THEN STATE THE EARLIEST DATE OF**
4 **RESOLUTION?**

5 A. Yes. Section 6.2 specifies this requirement and uses the term “immediately
6 notify.”

7 **Q. WHEN DID SOLAMERICA ENTER INTO THE SOLAMERICA IA?**

8 A. SolAmerica and SCE&G executed the SolAmerica IA for the Davis Road
9 Project on October 4, 2016. A copy is attached hereto as Exhibit A and
10 incorporated herein.

11 **Q. DID YOU DISCUSS THE TIMEFRAME FOR THE DAVIS ROAD**
12 **PROJECT WITH GEORGE MORI AROUND THIS TIME?**

13 A. I often meet with developers to discuss the timeframe of their project and
14 the relevant Milestones, both before and after the IA is executed and note that
15 SCE&G does not adhere to a Milestone extension policy that differs from the
16 language set forth in Section 6.2 of the IA.

17 **Q. DID YOU PROMISE GEORGE MORI ANY TERMS OR CONDITIONS**
18 **THAT ARE NOT IN THE SOLAMERICA IA?**

19 A. No. I have not promised George Mori any terms or conditions that are not
20 contained in the SolAmerica IA. Furthermore, the SolAmerica IA specifies in
21 Section 12.5 that the written document contains the entire agreement between the

1 parties and Section 12.2 of the SolAmerica IA specifies that any modifications
2 need to be in writing, unless modified by the Commission.

3 **Q. DESCRIBE THE FIRST MILESTONE THAT REQUIRED SOLAMERICA**
4 **TO PERFORM ACTION ON THE DAVIS ROAD PROJECT.**

5 A. The first Milestone that required action on the Davis Road Project was
6 Milestone 4, clearing and grading the site. The Milestones are listed in Appendix
7 4 to the IA. SolAmerica was to accomplish this task on or before October 17,
8 2017, just a little over a year after the date it executed the SolAmerica IA.

9 **Q. DID SOLAMERICA PERFORM THIS TASK AND OTHERWISE**
10 **FOLLOW THE REQUIREMENTS OF SECTION 6.2?**

11 A. No. In 2017, during the late summer and early fall, SCE&G became
12 concerned that SolAmerica was not making progress towards completing its
13 assigned Milestones. Almost one year after SolAmerica executed its IA, we did
14 not see activity on the Davis Road Project other than SolAmerica paying the two
15 required deposits. Thus, I asked Steven Belle, a member of my interconnection
16 team, to reach out to SolAmerica and inquire about SolAmerica's progress and
17 need for a possible extension. Under the IA, SolAmerica was required to clear and
18 grade the site by October 17, 2017, but we had not seen any activity. Steven
19 called Katie Kearney, a SolAmerica employee who handles interconnection
20 requests, and discussed how SolAmerica was progressing and its need for an
21 extension. On September 8, 2017, Katie emailed Steven, thanked him for his call
22 about the in-service date, and requested an extension to June 30, 2018. The

1 September 8th email exchange is attached hereto as **Exhibit B** and incorporated
2 herein. Because of the delay to that point, it is my impression that SolAmerica
3 knew that they could not complete the Milestones assigned within the original
4 timelines. SolAmerica did not initiate a discussion about an extension of the
5 deadlines of the Milestones. Instead, SCE&G had to reach out to SolAmerica. I
6 do not think SCE&G's contact with SolAmerica complies with the IA's
7 requirement to provide "immediate notification."

8 **Q. YOU STATE THAT YOU BECAME CONCERNED ABOUT THE DAVIS**
9 **ROAD PROJECT. WHY WERE YOU CONCERNED?**

10 A. Based on my experience dealing with a number of different developers,
11 including both small developers and larger publicly traded companies, typically,
12 when the developer has a viable project, they will push to ensure that SCE&G is
13 on schedule, or they will ask if we can accelerate the construction schedule. This
14 project was very different. SolAmerica was silent and SCE&G did not see any
15 action on the part of the developer. SCE&G's engineering and design teams were
16 moving forward, our construction crews were moving forward, but we were not
17 seeing any progress on the Davis Road Project.

18 **Q. PLEASE EXPLAIN SCE&G's OFFER IN SEPTEMBER OF 2017 TO**
19 **EXTEND THE MILESTONES FOR 12 MONTHS.**

20 A. My experience to date is that most developers with a serious project are
21 interested in moving forward without delay. However, there have been projects
22 that have requested an extension of service at some point prior to the in-service

1 testing. In those instances, SCE&G has found that granting Milestone extensions
2 that do not exceed 12 months serves as a workable compromise, under the South
3 Carolina Standard, that accommodates the developer's need for more time while
4 also limiting the negative impacts on other developers. So, SCE&G discussed
5 with SolAmerica its need for an extension. SCE&G has, to date, not accepted a
6 request for an extension of more than 12 months for a utility-scale project. There
7 maybe some older projects where it appears by just looking at SCE&G's queue
8 that SCE&G granted an extension greater than 12 months. That is not the case
9 however. While these projects seem like they received a longer extension, these
10 projects were previously under an IA that predated the South Carolina Standard.
11 After the South Carolina Standard was adopted, SCE&G negotiated with these
12 developers to convert their existing IAs to the South Carolina Standard. Other
13 projects simply had a longer construction window due to more significant
14 upgrades of the SCE&G system to accommodate the facility.

15 **Q. AFTER HEARING FROM STEVEN BELLE, SOLAMERICA**
16 **REQUESTED A SIX-MONTH EXTENSION, CORRECT?**

17 A. Correct. On September 8, 2017, SCE&G, via email, granted SolAmerica
18 an extension and moved the in-service date out by six months until June 30, 2018.
19 *See Exhibit B.*

20 **Q. DID SCE&G INDICATE THAT FURTHER EXTENSIONS WOULD BE**
21 **PROVIDED AT THIS TIME?**

1 A. No. The correspondence from Steven Belle does not indicate that further
2 extensions will be permitted. First, the communication notes that “[t]his delay for
3 the in-service is acceptable.” (Emphasis added). This clearly shows that not all
4 delays are acceptable and will move the in-service date. Steven Belle also notes
5 that SCE&G is not allowed to suspend projects under the South Carolina Standard,
6 though Milestones can be extended for unforeseen construction delays. Steven
7 Belle asks to be apprised of any changes to the schedule generally but does not
8 indicate that Milestones or the in-service date could be changed for any reason as
9 SolAmerica wrongly suggests.

10 **Q. WHEN DID YOU LEARN THAT SOLAMERICA WANTED TO AGAIN**
11 **EXTEND THEIR MILESTONES?**

12 A. During the week of April 30, 2018, Katie Kearney called Steven Belle to
13 find out the status of SCE&G’s work and to inform Steven that SolAmerica would
14 not be ready for the June 30, 2018 in-service date.

15 **Q. DO YOU FEEL SOLAMERICA PROVIDED IMMEDIATE NOTICE OF**
16 **ITS NEED FOR A SECOND EXTENSION?**

17 A. No. SolAmerica waited until the week of April 30, 2018 to contact
18 SCE&G and inform SCE&G it could not meet its Milestones. Under the first
19 extension it received, SolAmerica was to have its facility constructed and ready
20 for inspection and testing by June 30, 2018. In my opinion, SolAmerica knew
21 before the week of April 30, 2018, that it would not make its Milestone
22 requirements even under the extended date.

1 **Q. DESCRIBE SCE&G'S COMPLIANCE WITH ITS CONSTRUCTION**
2 **OBLIGATIONS UNDER THE IA.**

3 A. SCE&G completed upgrades to its distribution system in or around March
4 15, 2018. SCE&G then needed to build interconnection facilities on SolAmerica's
5 land site and upgrade the Ward substation for the Davis Road Project. However,
6 because SolAmerica still has not completed Milestone 4, which required it to clear
7 and grade the land, SCE&G has been unable to construct the interconnection
8 facilities. Additionally, because SolAmerica was so far behind schedule, the
9 substation upgrades were expensive, and SCE&G's crews needed to work on more
10 pressing projects, we delayed the substation upgrades.

11 **Q. WHAT WAS SCE&G's RESPONSE TO SOLAMERICA'S LATE**
12 **REQUEST IN 2018 TO AGAIN EXTEND THE MILESTONES?**

13 A. During the fall of 2017, SolAmerica requested its first extension. At that
14 time, SCE&G would have provided SolAmerica with the standard, not-to-exceed,
15 12-month extension. However, SolAmerica only requested a six-month extension
16 at that time. Because SolAmerica requested six-months, there were still about six
17 months remaining, where SolAmerica would not exceed the 12-month extension
18 standard. SCE&G offered in April of 2018 to extend the Milestones out to
19 December 5, 2018. This accommodation would have provided SolAmerica an
20 additional six months, but would be consistent with how SCE&G treats other
21 similarly situated developers and would not have exceeded 12-month standard.

22 **Q. DID SOLAMERICA ACCEPT THIS ACCOMMODATION?**

1 A. No. They rejected this offer, stating they needed even more time until
2 September of 2019. This furthers my belief that this was an inactive project.
3 Again, this is very different from the situation where a developer is granted an
4 extension and then comes back and asks for another extension due to an issue it
5 discovers when its completed generator is being synchronized with the SCE&G
6 system. Here, no construction was initiated and the developer is requesting even
7 more time to start the most basic and fundamental parts of construction. On May
8 4, 2018, I emailed George Mori and informed him that SCE&G could not accept a
9 proposed in-service date of September 2019. Such an extension was not
10 consistent with the IA or the way that SCE&G interacts with all other
11 counterparts. A copy of the May 4th email is attached hereto as **Exhibit C** and
12 incorporated herein.

13 **Q. WAS THERE ANY AGREEMENT TO EXTEND THE MILESTONES**
14 **DEADLINE BEYOND JUNE 30, 2018?**

15 A. No, the deadline for the Milestones never changed from June 30, 2018.

16 **Q. WHAT IS THE STATUS OF THE SOLAMERICA IA?**

17 A. SolAmerica never secured an extension for its Milestones. It failed to
18 perform the Milestones assigned to it under the terms of the SolAmerica IA. As of
19 the date of my testimony, SolAmerica is in default and did not cure its default
20 within the five business days required by Section 7.6.1 of the IA.

21 **Q. WHY WAS IT INAPPROPRIATE TO FURTHER EXTEND THE**
22 **MILESTONES BEYOND DECEMBER OF 2018?**

1 A. I looked at the language of Section 6.2. I went through each of the factors
2 listed that limit granting an extension knowing that all it takes is just one of those
3 factors to limit the grant of an extension.

4 Factor 1 limiting extension: *[The party affected by the failure to meet the*
5 *Milestone] will suffer significant uncompensated economic or operational harm*
6 *from the delay.* This factor applies because SCE&G has other projects which
7 require its attention. Materials were in place for this project and we made our
8 constructions crews available. However, we also needed to schedule our
9 construction crews to perform other work for projects that were ready to proceed.
10 So this stretched out crews. There was no need to extend the Milestones further
11 because these delays with no action on the part of SolAmerica were causing
12 SCE&G operational harm as well as other solar developers who were ready to
13 proceed.

14 Factor 2 limiting extension: *The delay will materially affect the schedule of*
15 *another Interconnection Customer with subordinate Queue Position.* This factor
16 clearly applies. We have other developers who have viable projects. If SCE&G
17 extended the Milestones again when SolAmerica had not performed any work,
18 then it would amount to preferential treatment of SolAmerica to the discrimination
19 of other solar developers.

20 Factor 3 limiting extension: *Attainment of the same [M]ilestone has*
21 *previously been delayed.* This one is obvious. SolAmerica for the second time

1 had not even cleared the land for its project much less worked on other Milestone
2 requirements.

3 Factor 4 limiting extension: *[SCE&G] has reason to believe that the delay*
4 *in meeting the [M]ilestone is intentional or unwarranted notwithstanding the*
5 *circumstances explained by the Party proposing the amendment.* SolAmerica
6 never provided immediate notice of its need to extend its Milestones. SolAmerica
7 also never began any construction work or even site clearing. Certainly, an
8 extension was unwarranted, but it was also clear this was an inactive or
9 speculative project and SolAmerica was not ready or prepared to start
10 construction.

11 **Q. IN TERMS OF FACTOR 2, DID YOU TELL SOLAMERICA THE NAME**
12 **OF THE SPECIFIC INTERCONNECTION CUSTOMER WITH**
13 **SUBORDINATE QUEUE POSITION THAT WOULD HAVE BEEN**
14 **HARMED?**

15 A. No, and I do not believe that is the intent of Factor 2. Remember, the
16 FERC SGIA has this identical factor in its Section 6.2. The FERC has held that
17 even when there are no other customers currently queued behind a tardy
18 interconnection customer, the potential for the interconnection customer's
19 tardiness to negatively impact hypothetical future customers may be enough to
20 justify a utility's refusal to extend an IA's Milestones. In our case, we have many
21 actual future customers.

1 **Q. SOLAMERICA ALLEGES THAT YOU REPRESENTED THAT SCE&G**
2 **WOULD ACT REASONABLY TOWARD EXTENDING MILESTONE**
3 **DATES. HAVE YOU?**

4 A. Yes. SCE&G has been extremely reasonable in its evaluation of
5 SolAmerica's request for a second extension. As noted previously, SolAmerica's
6 request does not comply with the "reasonableness" requirement contained in
7 Section 6.2 of the SolAmerica IA. In fact, I told Mr. Mori when we first met that
8 we would act "reasonably" because that is the term provided in Section 6.2.
9 Section 6.2 states that extensions "shall not be unreasonably [withheld]" unless
10 any of the factors are met. Because all those factors were met, by definition,
11 granting the extension SolAmerica requested was not "reasonable."

12 **Q. PLEASE DESCRIBE THE PROBLEMS CAUSED TO SCE&G WHEN AN**
13 **INTERCONNECTION CUSTOMER FAILS TO COMPLETE ITS**
14 **MILESTONES AND DOES NOT PROVIDE YOU WITH TIMELY**
15 **UPDATES.**

16 A. It makes it very difficult on several fronts. First, managing all the
17 interconnection requests and projects currently under development requires
18 SCE&G to have a great deal of internal coordination to make sure we properly
19 allocate our human and financial resources. It is similar to running a large
20 commercial construction company. You have to make sure all your internal
21 departments are coordinated so you can keep up with the various project
22 schedules.

1 For projects where we have a signed Interconnection Agreement, we have
2 routine internal meetings with my team, drafting services (engineering design and
3 drafting), relay group, procurement, substation engineering, and construction. We
4 try to anticipate what materials need longer lead times and place those orders in
5 advance. We have to develop plans to store materials, which becomes particularly
6 difficult when you do not have advanced notice of scheduling delays. For the
7 Davis Road Project, we were allocating our resources and balancing the needs of
8 multiple other solar developers because we believed we had to meet a December
9 2017 in-service date. Then, after we initiated a status call with SolAmerica, we
10 found out they have no chance of meeting the December 2017 in-service date. If
11 SolAmerica followed the terms of its IA, then we would have learned sooner that
12 it was not going to make its in-service date. Knowing this sooner would have
13 made it easier for us to address the needs of solar developers who were actually
14 moving forward with their projects.

15 Inactive or speculative projects like the Davis Road Project are also
16 problematic in terms of managing our queue. When SCE&G receives a request to
17 interconnect, we have to assume projects ahead of it in the queue intend to move
18 forward. We study the new request assuming the existence and performance of
19 the prior queued requests. When an inactive or speculative project requires
20 Milestone extensions, it creates uncertainty and could lead to cascading restudies,
21 and shifted costs.

1 **Q. IS IT YOUR OPINION THAT SECTION 6.2 LIMITS EXTENSIONS OF**
2 **MILESTONES BECAUSE OF THE NEGATIVE IMPACT SUCH**
3 **CONTINUED EXTENSIONS HAVE ON OTHER SOLAR DEVELOPERS**
4 **AND THE UTILITY?**

5 A. Yes, that is the reason suspension provisions were excluded from the South
6 Carolina Standard. In addition, there is a difference between granting an extension
7 for a viable project where unanticipated operational issues are discovered during
8 its in-service testing and providing extensions for an inactive or speculative
9 project like the Davis Road Project, where no work has begun. In the former
10 situation, the project is largely complete, but during the final stages of construction
11 and testing, the developer or utility learns of a complication right at the deadline
12 for the final Milestone. In that situation, a limited extension for a project coming
13 on-line is proper.

14 On the other hand, when you have an inactive or speculative project like the
15 Davis Road Project and the developer has taken no action other than paying its
16 deposits, Section 6.2 of the South Carolina Standard and the FERC SGIA limits
17 the utility's ability to grant extension after extension.

18 **Q. WERE YOU AWARE OF THE PROPOSED PPA IN-SERVICE DATE**
19 **WHEN YOU EXECUTED THE ORIGINAL SOLAMERICA IA OR THE**
20 **FIRST EXTENSION?**

1 A. No. The SolAmerica IA was signed well before the PPA. In fact, there is a
2 two year gap between the execution of the SolAmerica IA and the PPA. The first
3 Milestone extension was also well before the execution of the PPA.

4 **Q. BUT SOLAMERICA SAYS IT IS SCE&G's FAULT THAT THE**
5 **INTERCONNECT DATES DID NOT ALIGN WITH ITS PPA DATES.**

6 A. I know that is what they claim, but I do not agree. The SolAmerica IA was
7 established first. SolAmerica knew its Milestone dates under its IA when it was
8 negotiating its PPA. If SolAmerica wanted to align its PPA with its existing IA, it
9 should have included that desire in its PPA negotiations with SCE&G - Power
10 Marketing.

11 Also, keep in mind that under FERC's Standards of Conduct, Eddie Folsom
12 and I must perform our jobs independent of one another. Our offices are located
13 separately to ensure physical security. We do not have unescorted access to each
14 other's offices. If we want to meet, we have to first contact our Regulatory
15 Compliance Department and provide a reason for our meeting and even then we
16 can only meet if the Regulatory Compliance Department approves the meeting and
17 monitors the meeting.

18 **Q. ASIDE FROM FERC'S STANDARDS OF CONDUCT, IS THERE ANY**
19 **REASON SCE&G TRANSMISSION AND SCE&G POWER MARKETING**
20 **SHOULD NOT HAVE THE RESPONSIBILITY TO ENSURE IA DATES**
21 **ARE COORDINATED WITH PPA DATES?**

1 A. Yes. In wholesale markets, our transmission customers have the
2 responsibility for ensuring the transmission reservation they confirm aligns with
3 their purchase or sale of energy. The same should be true in the context of a
4 PURPA transaction. This is particularly true for projects in South Carolina that
5 interconnect through the South Carolina Standard. Remember that the South
6 Carolina Standard was specifically designed through a stakeholder process to
7 discourage projects that were not fully developed or at least in the later stages of
8 development.

9 If you look at this as simply an isolated instance of one potential developer
10 and no one else in the queue, then you might initially think SCE&G could easily
11 ensure coordination or alignment. But, that does not reflect the current state of
12 things or the need to treat similarly situated developers comparably. The fact is
13 we are inundated with requests from solar developers who either want to develop a
14 project and sell 100 percent of the output to SCE&G or want to secure enough in
15 the way of permits and agreements that they have something of value that they can
16 flip to a third party who may potentially develop a project on that site.
17 Additionally, PURPA gives the developer the right to choose whether to first
18 secure its PPA or its IA.

19 Given the number of PURPA requests we already have, it is very difficult
20 to study all the various projects, determine the impact they will have on SCE&G's
21 system, much less on one another, and account for inactive and speculative
22 projects dropping out of the queue. If SCE&G were to assume the developer's

1 responsibility of ensuring the dates in a developer's IA align with the dates in the
2 developer's PPA, it would create queue congestion and unnecessarily delay viable
3 projects that have financing and are capable of moving forward.

4 **Q. IS IT YOUR JOB TO ENSURE A PARTICULAR PROJECT IS**
5 **INTERCONNECTED AND PLACED IN SERVICE?**

6 A. No. My job is to ensure SCE&G administers the South Carolina Standard
7 as adopted by the Commission. That means following the policies established by
8 this Commission. It also means following the terms and conditions contained in
9 the South Carolina Standard. If those things are done, then similarly situated
10 developers will be treated comparably and in a non-discriminatory fashion. I do
11 receive requests for special treatment for some projects, and while it may seem
12 harmless for that one project, in reality, such special treatment gives that developer
13 an unfair advantage in the marketplace to the detriment of other developers.
14 Finally, given the amount of interconnection requests we have and we continue to
15 receive, there is no way to manage this process if we make subjective decisions on
16 a case-by-case basis.

17 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

18 A. Yes.